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## WTO and Agriculture

# What's at Stake for Wood Products?

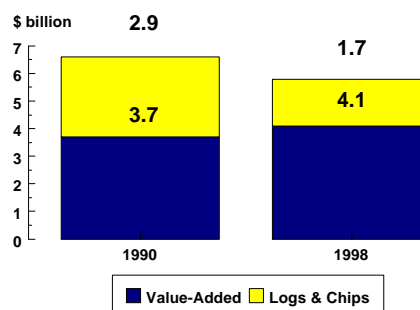
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Future export prospects for solid wood products depend, in large part, on the United States' ability to maintain and expand market access, ensure fair competition and further level the international playing field for U.S. producers, processors and distributors of wood products. The World Trade Organization (WTO) and trade negotiations offer comprehensive new trade agreements aimed at achieving these objectives.

## Why Trade Matters for U.S. Wood Products

The United States is the world's most diverse producer and exporter of sustainable wood products, as well as one of the world's largest importers. Our wood processing industry is the world's largest and is rapidly growing. Exports account for 8 percent of total U.S. wood product sales, and are growing, especially for value-added products. Total wood product exports in 1998 were valued at over \$5.8 billion. In 1990, value-added wood products accounted for 56 percent or \$3.7 billion of U.S. export sales. In 1998, value-added products made up 71 percent or \$4.1 billion of U.S. export sales, and this share is expected to grow. Examples of increases in exports include 2-by-4 housing packages and a wide array of wood building products to supply Japan's residential housing market, hardwood lumber and veneer for the furniture markets of Europe and China, and packaging and construction products to the Caribbean and Mexico.

**Value-Added Wood Exports Rise**



The 650,000 U.S. wood producers, processors, and distributors increasingly look to foreign markets to bolster sales, diversify income, and earn profits. The shift towards exports of value-added wood products means more U.S. jobs for every cubic meter of product exported.

## How Trade Agreements Expand Market Opportunities

Trade agreements have opened markets, lowered tariffs, and modified discriminatory building standards.

# The 1988 U.S.-Canada Free Trade Agreement has eliminated all tariffs. U.S. wood export sales to Canada nearly tripled, rising from \$545 million in 1988 to \$1.5 billion in 1998.

# Since the early 1990's, Japan, under the U.S.-Japan Wood Products Agreement and subsequent

deregulation talks, has significantly liberalized its building code and product standards to allow for wood use in a greater variety of construction applications. U.S. exports of value-added products to Japan rose from \$793 million in 1990 to \$1.14 billion in 1996. U.S. exports since that time have fallen due to a severe economic downturn in Japan's housing and capital markets. However, new measures announced as part of the U.S.-Japan Enhanced Initiative on Deregulation and Competition Policy over the past 2 years should help U.S. wood exports resume growth once the Japanese economy recovers.

- # While the financial crisis of 1994-95 significantly dampened demand by Mexico's interior paneling and construction industries for U.S. value-added wood products, U.S. exports have recovered and are expanding into new segments. U.S. exports of value-added wood products to Mexico rose from \$261 million in 1990 to \$352 million in 1998. NAFTA guarantees that the only barriers to trade will be those driven by the market. With duties on products such as lumber, plywood and wood moldings to be reduced from 20 to 0 percent by January 1, 2004, U.S. exports are expected to climb still higher.

## **Why Further Trade Negotiations Are Needed**

Despite the progress already achieved, trade liberalization is far from complete. U.S. solid wood exporters continue to face an array of tariff and non-tariff barriers, unfair trading practices, and preferential trade arrangements in key markets around the world. A few examples follow:

- # Prescriptive building codes and product standards limit the use of U.S. wood products in many structural and exterior applications and thus impede our ability to supply the housing industries of Japan, China, and South Korea.
- # Tariff escalation policies that favor the import of logs and lesser value-added wood products over plywood and other higher value-added products constrain U.S. sales to developed and developing countries, including Japan, South Korea, and India. At the Asia Pacific Economic Cooperation (APEC) Ministerial Meeting in Malaysia in November 1998, ministers agreed to move the tariff portion of the forest products trade liberalization initiative (along with eight other sectors) to the WTO with the goal of finalizing the initiative in 1999.
- # Preferential trading arrangements for wood products among members of the Association of Southeast Asian Nations (ASEAN) make U.S. product less competitive in this important region, which is home to one-tenth of the world's population. The United States faces similar problems with preferential trade agreements in South America and elsewhere.